



House of Representatives

General Assembly

File No. 245

January Session, 2011

House Bill No. 6364

House of Representatives, March 28, 2011

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE SUNSET DATE FOR PERSONAL RISK INSURANCE RATE FILINGS AND LIMITING RATE INCREASES IN CERTAIN CIRCUMSTANCES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 38a-688a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (a) Notwithstanding the requirements of sections 38a-389 and 38a-
5 688 with respect to personal risk insurance with the exception of
6 residual market rates, and on and after July 1, 2006, and until July 1,
7 [2011] 2013, an insurer may file a rate with the Insurance
8 Commissioner pursuant to this section and such rate shall take effect
9 the date it is filed provided the rate provides for an overall state-wide
10 rate increase or decrease of not more than six per cent in the aggregate
11 for all coverages that are subject to the filing. The six per cent limit
12 shall not apply on an individual insured basis. Not more than one
13 filing may be made by an insurer pursuant to this section within any

14 twelve-month period unless the filing, when combined with one or
15 more filings made by the insurer within the preceding twelve months,
16 does not result in an overall state-wide increase or decrease of more
17 than six per cent in the aggregate for all coverages that are subject to
18 the filing.

19 Sec. 2. Subsection (b) of section 38a-688 of the general statutes is
20 amended by adding subdivision (6) as follows (*Effective October 1,*
21 *2011*):

22 (NEW) (6) Whenever an insurer discontinues accepting applications
23 for a line or subline of personal risk insurance in this state, such
24 insurer shall not file a rate increase for such line or subline of more
25 than six per cent.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-688a(a)
Sec. 2	<i>October 1, 2011</i>	38a-688(b)

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

There is no impact to the state or municipalities as this bill concerns rate setting procedures for private personal risk insurance.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 6364*****AN ACT CONCERNING THE SUNSET DATE FOR PERSONAL RISK INSURANCE RATE FILINGS AND LIMITING RATE INCREASES IN CERTAIN CIRCUMSTANCES.*****SUMMARY:**

This bill extends the sunset date for the “flex rating” law for personal risk insurance (e.g., home, auto, marine, umbrella) from July 1, 2011 to July 1, 2013.

If an insurer stops accepting new applications for a line or subline of personal risk insurance, the bill prohibits the insurer from filing a rate increase of more than 6% for that line or subline. Current law permits insurers to file and use new rates for personal lines without the Insurance Department’s prior approval if they increase or decrease rates by no more than 6%, but requires approval for a requested increase or decrease above 6%.

EFFECTIVE DATE: October 1, 2011, except for the sunset provision which takes effect upon passage.

BACKGROUND***Flex Rating Law***

The flex rating law permits property and casualty insurers, until the law sunsets, to file new personal risk insurance rates with the insurance commissioner and begin using them immediately without prior approval if the rates increase or decrease by no more than 6% for all products included in the filing. The new rate cannot apply on an individual basis. The law does not apply to rates for the residual market.

The law provides that an insurer may submit more than one rate

filing using the 6% band to the Insurance Department in any 12-month period if all rate filings are submitted within the 12 months, in combination, do not result in a statewide rate change of plus or minus 6% for all products included in the filing.

Under the law, an insurer can apply for a rate increase within the 6% band only on or after a policy renewal and after notifying the insured. (The notification specifies the effective date of the increase.) Rate filings seeking to increase or decrease rates by more than 6% must follow existing rate filing requirements (i.e., insurers must receive department approval before using the new rates).

The law deems that any filings made under its provisions comply with the rating laws. But the commissioner can determine if they are inadequate or unfairly discriminatory and must order the insurer to stop using a rate change within the 6% band on a specified future date if he determines it is inadequate or unfairly discriminatory. The order must be in writing and explain the finding. If the commissioner issues the order more than 30 days after the insurer submitted the filing, the law requires the order to apply prospectively only and not affect any contract issued before its effective date.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 11 Nay 8 (03/17/2011)